



Mint Money: Buy Shopify (TSX:SHOP) Stock for the Long Term

Description

2022 has turned out to be a terrible year for **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) shareholders. While several top TSX stocks have lost considerable value amid the recent selling, the steep correction in Shopify stock surprised me. For context, shares of this e-commerce platform provider have fallen by about 78% from the peak, wiping billions from its market cap.

Macro and geopolitical headwinds pointing to a slowdown in the economy led to a selloff in [tech stocks](#), including Shopify. Moreover, a slowdown in its growth extended its shareholders' losses.

As Shopify stock has lost substantial value, let's look at Shopify's recent performance, management commentary, and guidance to ascertain what's in store for this e-commerce company.

Growth slowed

Shopify was up against tough year-over-year comparisons in the first half of 2022 as the prior year period benefitted from the pandemic-led demand and government stimulus. Besides tough comparisons, the economic reopening diverted a portion of the consumer spending toward physical retail.

Given the challenges, Shopify delivered top-line growth of 22% in Q1 of 2022. This reflected a continued deceleration in its growth on a sequential basis.

Now what?

Shopify's growth is also expected to stay low in Q2 due to the tough comparisons and macro challenges. However, its growth will likely reaccelerate as we enter the second half of this year and comparisons ease.

Further, there were several bright spots in Shopify's Q1 performance. During the Q1 conference call, Shopify stated that its new commercial initiatives and aggressive investment in growth initiatives

(including sales & marketing) would expand its addressable market and lead to increased penetration of its offerings in the existing markets.

Shopify's CFO Amy Shapero stated that the company's growth initiatives have started to gain traction and will positively impact the company's business in the back half of 2022.

It's worth mentioning that the company is taking its existing products to new geographies. Moreover, it is rolling out new features to strengthen its merchant solutions offerings, which would drive the segment's revenue.

Shopify also continues to invest in its POS and Shopify fulfillment network (SFN), which augurs well for long-term growth. The penetration of Shopify Payments and Capital continues to grow, which is positive.

Shopify announced the acquisition of e-commerce fulfillment technology provider, Deliverr. The move will strengthen Shopify's fulfillment network, step up delivery speed, and drive more merchants to its platform.

Also, as social commerce is gaining traction, Shopify's partnerships with top social media companies naturally strengthen its competitive positioning in the fast-growing segment, which bodes well for winning more merchants.

Bottom line

While macro headwinds and pressure on its margins from increased investment could keep Shopify stock range-bound in the short term, its long-term prospects look solid. Shopify continues to gain market share and is expanding its total addressable market. Furthermore, its focus on new product offerings and geographic expansion positions it well to capitalize on the ongoing shift towards digital commerce.

Due to the selloff, Shopify stock is trading at an EV/sales ratio of seven, which appears attractive compared to its historical average. Moreover, Shopify's board has approved a 10-for-1 split, implying its stock will be well within every investor's reach.

All in all, Shopify stock, at current levels, is a solid long-term investment to create wealth.

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Date

2025/08/26

Date Created

2022/06/09

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